

STATUS OF CLAIMS

Claims 31-34 are pending.

Claims 31-34 stand rejected.

Claims 31 and 34 are amended herein.

REMARKS

Reconsideration of this application is respectfully requested.

35 U.S.C. 112 Rejections

Claim 31 stands rejected under 35 U.S.C. §112 second paragraph as being indefinite. Applicant has amended Claim 31 to add the term "value" to claim element (b), consistent with the Examiner's interpretation of the Claim in item 2 on page 2 of the present Office action. Claim 34 has also been amended to correct typographical errors. No new matter has been added by this amendment. Claim 31 having been amended, this rejection is respectfully traversed. Reconsideration and removal of this rejection is respectfully requested.

35 U.S.C. 103(a) Rejections

Claims 31-34 stand rejected under 35 U.S.C. §103(a), as being unpatentable over Koppes et al. (US Patent 5,926,792) in view of Champion (U.S. Patent 5,126,936) and further in view of Parsons (U.S. Patent 6,411,939). This rejection is respectfully traversed, as the present rejections are merely based on impermissible hindsight reconstruction in view of the Applicant's own disclosure. Furthermore, even assuming arguendo, a proper motivation would exist for combining the references, such combination nevertheless fails to teach each of the features of the present claims.

Present Claim 31 recites:

A method of determining life insurance policy value represented as a plurality of current insurance units having a

premium invested in at least one investment instrument, comprising:

- charging a one time administration fee to the premium prior to investing;
- determining a net asset value at a known time based on a performance return of each of said investment instruments; and
- adjusting, at a selected date, said current number of said insurance units by a number of insurance units corresponding to a change in value of each of said investment instruments reduced by a corresponding performance fee, based on said net asset value, wherein said performance fee is a known percentage of said change in value of each of said investment instruments if said change in investment value is positive.

The Examiner concedes that the primary reference Koppes fails to teach or suggest “charging of performance fees on positive asset performance growth only if the change in investment value is positive.” The Examiner asserts that the Champion reference teaches charging performance fees contingent on financial asset value performance over set periods of time and points to Col. 11, ll. 26-27 of Champion. The relevant portion of Champion (reproduced herein) states that:

“[b]y pooling [an] investor’s position with many like and oppositely positioned investors at a minimal fee, the system lowers overall transaction costs to each investor. *This fee may be contingent on net asset value for a set period, or determined on some other basis, e.g. extent of participation in the various assets or the number of transactions for a given period.*” (*emphasis added*)

Even assuming, arguendo, the combination of Koppes and Champion (along with the tertiary reference of Parsons) is proper (which it is not), such combination *still fails to teach each limitation recited in present Claim 31*. In particular, the combination fails to teach or suggest that the *current number* of insurance units are to be *modified by a number that corresponds to a change in value of each of the investment instruments* reduced by a corresponding performance fee according to net asset value, and where the *fee is a known percentage of the change in value of each investment instrument if the change in value is a positive change*. The cited art of record makes no mention of a determination based on change of net asset value, and clearly no mention of a

performance fee being a known percentage of a change in value of each instrument based on whether or not the change is positive. Champion's recitation that a *fee may be contingent on net asset value for a set period, or determined on some other basis* simply fails to teach each of the aforementioned features and limitations of present Claim 31. For purposes of completeness, Applicant notes that the Parsons reference is not relied on in these regards. For at least these reasons, Examiner's purported combination fails to teach each of the features and limitations of present Claim 31; Hence, Claim 31 should be allowed. Claims 32-33 depend from Claim 31 and are likewise allowable. Reconsideration and removal of this 35 USC 103 rejection is respectfully requested

Independent Claim 34 recites features and limitations similar to those discussed above with regard to Claim 31. In particular, independent Claim 31 recites *inter alia* "calculating an investment gain or loss; and if the investment gain is positive then calculating an incurred performance fee; otherwise setting the performance fee to a fixed value." The combination of references fails to teach each of these features and limitations for at least the reasons discussed above. Reconsideration and removal of this 35 USC 103 rejection is respectfully requested.

While the foregoing provides sufficient grounds for reconsideration and removal of the present rejections, Applicant further submits that the Examiner has failed to articulate a proper motivation or nexus for combining the three references used to rejection the present claims and respectfully requests reconsideration and removal of the present rejections for these additional reasons.

The Examiner admits that the primary reference Koppes fails to teach or suggest various features associated with independent Claim 1, including Koppes' failure to a) impose a one time administrative fee deducted from premiums as they are paid prior to investment; and b) charging of performance fees on positive asset performance growth only if the change in investment value is positive. The Examiner, however, asserts that the secondary reference Parsons teaches "charging administrative fees passes

assessed to investor participants prior to and being deducted prior to the investment of funds (Col. 46, ll. 31-43; col. 60, ll.57-62). The Examiner further asserts that the Champion reference teaches charging performance fees contingent on financial asset value performance over set periods of time (Col. 11, ll. 26-27) and that an ordinary practitioner would have found it obvious to combine the disclosures of Koppes, Champion and Parsons "in order to construct a method for determining life insurance policy values, motivated by a desire to provide methods and systems capable of tracking and reporting assets and liabilities on a near real-time basis, making administration simple, keeping costs low, and providing timely information to plan participants and sponsors (Koppes, Col. 4, ll. 18-24, 28-30, & 31-32).

Applicant respectfully submits that such assertions merely reflect a *piecemeal analysis* of the prior art and an *improper* attempt to re-create Applicant's invention through the improper use of hindsight. The reasoning articulated by the Examiner, namely, the articulated motivation of "a desire to provide methods and systems capable of tracking and reporting assets and liabilities on a near real-time basis, making administration simple, keeping costs low, and providing timely information to plan participants and sponsors", is utterly insufficient in showing *why* an ordinary practitioner would be motivated to modify Koppes' method and system for tracking and reconciling values of life insurance policies by *changing Koppes' operation and function* to impose: a) one time administrative fees to be deducted from premiums as they are paid prior to investment as well as b) to charge performance fees on positive asset performance growth only if the change in investment is positive. Only through *impermissible hindsight* gleaned from Applicant's own disclosure can one attempt to arrive at Applicant's claimed invention through these references. As the Examiner provides no reasoning whatsoever as part of his 35 USC 103 rejection, such rejection is improper; reconsideration and withdrawal of this rejection is requested.

The above notwithstanding, it is further acknowledged by the Examiner that Koppes' methodology does not provide for charging performance fees. In fact, Koppes teaches in Figures 11 through 14 a particular methodology for operation of the Koppes

invention that neither contemplates nor suggests the method for determining life insurance policy value recited in the present claims. The secondary reference Champion teaches a system that automatically adjusts risk exposure in an asset category to prevent it from reaching an excessive level so that an account can never lose more than the amount deposited. Champion describes (with respect to FIG. 7) a sequence of events associated with pre- and post- trade account adjustments that enable an investor to allocate investment assets based on his desired risk level.

Champion recites in column 11 that

"[b]y pooling [an] investor's position with many like and oppositely positioned investors at a minimal fee, the system lowers overall transaction costs to each investor. This fee may be contingent on net asset value for a set period, or determined on some other basis, e.g. extent of participation in the various assets or the number of transactions for a given period."

The above passage provides no teaching or suggestion whatsoever, as to how such net asset valuation would be applied to the system of Koppes. Furthermore, nowhere does Champion even mention life insurance policy values, or even insurance for that matter. Still further, the mere fact that performance fees associated with net asset valuation of instruments may exist does not, of itself, enable one of ordinary skill to provide for charging performance fees on net asset valuations within the context of the Koppes system. Some logical nexus must exist and be articulated to establish a *prima facie* case under 35 USC 103. In the present case, the Examiner has failed to establish such nexus and simply glosses over the vastly different systems associated with the various cited references, simply concluding it would be obvious to "combine the disclosures" of the three references, without any rationale as to how such combination would or could be achieved. In view of the foregoing, Applicant submits the present rejections are merely based on impermissible hindsight reconstruction in view of the Applicant's own disclosure. For at least these additional reasons, reconsideration and withdrawal of this 35 USC 103 rejection is respectfully requested.

Applicant respectfully requests reconsideration, withdrawal of the rejections and allowance of all pending claims. Alternatively, should the present rejections not be withdrawn, Applicant respectfully requests the Examiner please specifically identify those particular portions of each of Koppes and Champion and Parsons upon which the Examiner relies as purportedly teaching or suggesting each of the recited limitations of each of the pending claims – such that Applicant may be afforded a reasonable opportunity to respond.

CONCLUSION

Applicant believes he has addressed all outstanding grounds raised in the outstanding Office action, and respectfully submits the present case is in condition for allowance, early notification of which is earnestly solicited.

Should there be any questions or outstanding matters, the Examiner is cordially invited and requested to contact Applicant's undersigned attorney at his number listed below.

Respectfully submitted,



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